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Classified By: Ambassador William A. Eaton. Reasons: 1.4 (b) and (d).

Summary

11. (C) For the ninth edition of the Panama Post, our top stories are:

- Ernesto "El Toro" Perez Balladares will run for president, wants to face Vallarino;
- Jose Manuel Teran: opposition needs to rally around Vallarino;
- Juan Carlos Varela and his campaign team lunch with Ambassador;
- Democratic Change (CD) party to surpass Patriotic Union (UP) to be Panama's second largest opposition party?;
- radical construction union SUNTRACS seeks confrontation; and
- Panama prepares accommodations for Noriega

El Toro to Run for President Regardless of PRD Primary

12. (U) Regardless of what happens in the governing Democratic Revolutionary Party (PRD) primaries, former President Ernest "El Toro" Perez Balladares told assembled mass media leaders at the City Club on August 22, that he would run for president again. Furthermore, El Toro said he wanted to run against Alberto Vallarino, who recently joined the Panamenista Party. "I'd like to run against Alberto because he is a capable man, and it would give the public a chance to choose between a proven person (Perez Balladares) and a successful businessman." Summarizing his views of the rest of field in the race for president, "El Toro" said: (1) former President and President of the Moral Vanguard of the Nation (VMP) party Guillermo Endara would withdraw; (2) Democratic Change (CD) President Ricardo Martinelli "had bought himself a party and now wants to buy the presidency;" and (3) "I don't care which of the cousins (First VP and FM Samuel Lewis or Panama City Mayor Juan Carlos Navarro) I face" in the PRD primaries. The following day, Minister of Housing Balbina Herrera underscored that she would continue her campaign to be elected president of the PRD.

13. (C) Comment: After a flurry of activity a few months ago launching his campaign to be the next President of the PRD, the Panama Post has not really heard much from El Toro until

now. Joining the lunch-o-mania (the purposefully visible meal encounters by political notables) that has gripped Panama City over the past couple of weeks, Perez Balladares decided to inject some vigor into his political profile by hosting a gab-fab at the City Club for media leaders, not PRD faithful or leaders. His prospects for reeling in the PRD Presidency have evaporated since Minister of Housing Balbina Herrera was penciled in for that job. By announcing that regardless of the results of the PRD primaries that he will run independent of the PRD, El Toro has for the first time publicly stated a willingness to break with the PRD to advance his efforts to return to the Presidential Palace. Up-and-coming PRD stars who met with Ambassador on August 23 indicated that they were not all surprised that El Toro was prepared to break with the PRD, and none of the five mid-level PRD officials thought El Toro would have much of a chance at success. Many Panamanians will wonder if a leopard -- especially a PRD leopard and particularly especially this PRD leopard -- can convincingly change its spots.

Teran: Vallarino is the Opposition's Answer

14. (C) "Vallarino is the one who can unite the opposition and defeat the PRD," Panamenista leader and former Ministry of Health in the Mireya Moscoso Administration Jose Manuel Teran told POLCOUNS on August 23. "Vallarino's re-joining the Panamenista Party greatly clarified the opposition scenario." Acknowledging a deepening struggle within the Panamenista Party, Teran, who was clearly fronting for Vallarino, said that the Panamenistas needed to find a way to talk some sense into party president Juan Carlos Varela. "Varela's presidential campaign will go nowhere. He cannot continue to fight La Dona (Mireya Moscoso), and his campaign team is too young and inexperienced. Many fear Varela simply wants to accept the slot of vice presidential running mate to Martinelli." Teran explained that Vallarino campaign would collapse Endara's attempt to return to the presidency. "Endara doesn't have enough members to legally establish a party. The Vanguard is vulnerable to legal challenges." Also, "Without the Panamenistas, Endara cannot succeed." The Patriotic Union (UP) and the Movement of Liberal Republican Nationals (MOLIRENA) would join the Panamenistas in broad opposition coalition against the PRD. As for Martinelli, Teran held out hope that Martinelli would support a broad opposition coalition once it became evident that he could not win but that he might deny the opposition a victory. Teran asserted that Moscoso had done a wonderful job of renewing her political power and clout and said Moscoso was behind Vallarino's ascendance.

15. (C) Comment: Alberto Vallarino's re-joining the Panamenista Party has had a broad ripple effect across the opposition. As of yet, however, it is unclear what the end result of that impact will be. Likely to jump into the presidential race, Vallarino's political movements and action bear close watching. A significant subplot to this drama will be the machinations and maneuvering of former President Moscoso who has been aggressively courting rank and file Panamenistas (most recently joining the lunch-o-mania fervor by hosting an August 22 lunch) and continues to pressure Varela.

Varela: Lunch with the Ambassador

16. (C) While Moscoso was dining across town with various and sundry Panamenista deputies and mid-level luminaries, Panamenista President Juan Carlos Varela had lunch on August 22 with Ambassador. Varela sought to portray himself as an agent of change who had renewed the Panamenista Party and would seek to renew Panama. Presenting himself as "young, fresh, and new," Varela was dismissive of old timers such as Endara, Vallarino and former First VP and UP President-elect Guillermo "Billy" Ford. Varela was accompanied by two young Panamenistas who would play key roles on his campaign,

Meliton Arrocha and Carlos Duboy.

¶7. (C) Comment: Varela continues to struggle for political relevance, not only on Panama's national political scene but increasingly within his own party. He stubbornly will not reconcile with Panamenista grande dame Moscoso, not just out of a sense of personal pride, but also a sense of political necessity. In trying to advance his message of renewal, Moscoso is a useful foil for Varela enabling him to cast himself in contrast to the corruption and mismanagement that plagued her administration. The Panama Post is skeptical about Varela's ability to sustain a viable run for the presidency when confronted with the tough realities of Panama's power politics, of which Moscoso is a master, and as heavy hitters such as Vallarino start warming up their engines. Even in the best of times and without relentless pressure from Moscoso, Varela would face an uphill battle in demonstrating that, as the head and product of Panama's largest opposition party, which has deep roots in Panama's history, that he truly offers something "young, fresh, and new."

Democratic Change Seeks to Pass Patriotic Union

¶8. (C) "Democratic Change (CD) will surpass Patriotic Union (UP) to be Panama's second largest opposition party," CD Vice President Roberto Henriquez told POLCOUNS on August 22. The Electoral Tribunal (TE) would release the July party membership figures that would showed that the CD had grown to about 90,000 members, Henriquez explained. "Since the beginning of August, we have signed up 10,000 more members and I think we'll have over 125,000 members by the end of the year." Currently, UP is estimated to have 125,000 members. More importantly though, Henriquez explained, CD is moving ahead with structural and organizational work. "We'll have candidates for every race across the country from councilman to president. We have already established organizations in half of the country's precincts (corregimientos) and soon will be established in every precinct."

¶9. (C) On August 22, Panamenista luminary Jose Manuel Teran showed POLCOUNS a bootleg of the TE's membership figures that indeed showed CD gaining about 7,000 members to reach about 92,000 members. UP lost about 2,000 members in July. VMP and the Panamenista Party also recorded losses. Interestingly, MOLIRENA, which has been under a death watch for months, actually gained some 5,000 members. "MOLIRENA always appeals to the intellectuals," Teran claimed, "and should not be discounted entirely as a political force," though admittedly its leadership was lost at sea.

¶10. (C) Comment: Panamanian politicians and observers love to engage in the membership statistics parlor game measuring and comparing the relative strengths of the different parties. Seen in that light, the CD should gain more credibility as a political party whereas today its seen as the expensive adornment of a wealthy supermarket magnet, Ricardo Martinelli. Martinelli has previously told the Panama Post that he was investing serious money in building a nationwide, precinct-by-precinct machine. If he is able to actually establish such a machine, Martinelli will then earned significant political street cred.

SUNTRACS Seeks Confrontation

¶11. (SBU) The shooting deaths of two construction union workers in separate incidents within a 48-hour period heightened tensions between the GOP and the radical union SUNTRACS. On August 14, SUNTRACS members confronted workers from rival construction union, SITICOOP, outside the Chilibre office of Brazilian contractor Odebrecht, which is constructing a highway extension between Panama City and Colon. Odebrecht's private security guards allegedly opened fire on SUNTRACS workers, wounding two and killing one. On

August 16, a Panamanian National Police (PNP) officer allegedly killed a SUNTRACS member with a shotgun blast to the head during a confrontation at a job site in the Pearl Islands, a small archipelago in the Gulf of Panama. These incidents prompted a series of protests on August 16 by hundreds of SUNTRACS workers and their sympathizers, culminating with a street march to the Presidential Palace. Despite fears of further violence, the march ended without incident.

¶12. (SBU) Comment: Our construction industry contacts have alleged in recent months that SUNTRACS has displayed an increasingly aggressive posture at job sites around the country and in its street protests. The GOP has thus far sought to avoid head-on clashes, prompting some in the industry to complain that SUNTRACS has cowed law enforcement authorities into giving them wide berth to intimidate developers and the public. Suspicions about that SUNTRACS enjoys financial and organizational support from Venezuela and that their real interest is in fostering a climate of crisis during the run-up to Panama's 2009 elections. Last week's killings could foreshadow further violence and certainly heighten tensions between SUNTRACS and other unions and the GOP.

Noriega Supporters and GOP Prepare

¶13. (SBU) Panama's chattering class was a twitter this week gabbing about the work being done on former dictator Manuel Antonio Noriega's former residence in Panama City. News outlets reported on the new paint being slapped on his formerly posh residence and speculation was rampant as to who was underwriting these efforts. Separately, Minister of Government and Justice announced August 22 that Noriega would be taken to the El Renacer ("the rebirth") Penitentiary Center were he to be returned to Panama following completion of his sentence in the U.S. on September 9. On August 22, Vice Minister of Finance Orcila Vega de Constable underscored that any work on Noriega's residence had to be authorized by her ministry and, stated that once repaired, the residence would be auctioned. Meanwhile, Noriega's residence will need much more than a dusting and touch-up paint job. The residence, and other properties, have essentially been abandoned for seventeen years and require extensive work.

¶14. (C) A subdued, low level of nervousness that Noriega might actually be returned to Panama is helping the media sell papers and fill air time. There were echoes of this nervousness in the halls of the MFA too. DCM and POLCOUNS were called in to see MFA Senior Advisor Adolfo Ahumada on August 21 for meeting that turned out to be essentially a hand holding exercise to hear out Ahumada's inquiries as to whether Noriega's legal challenges to his extradition might prevail. DCM and POLCOUNS underscored that it remained the policy of the U.S. to extradite Noriega to France and that the USG and GOP would need to wait to see how the judge would rule on Noriega's prisoner of war challenge to his extradition. Ahumada noted that President Torrijos would hold a senior level meeting on August 22 to discuss the Noriega situation.

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